

FISCAL NOTE

HB 1550 - SB 1737

May 11, 2001

SUMMARY OF BILL: Increases teachers' salary equity pay to the Tennessee average or Southeastern average, whichever is greater. Beginning in the 2000-01 fiscal year, local education agencies (LEAs) would receive the allocation of state and local funds if the instructional salaries and employer-paid insurance premiums average less than the greater of:

1. The actual average statewide instructional salaries and employer-paid insurance premiums per instructional position (the Tennessee average) or;
2. The most recently available aggregate simple average instructional salaries and employer-paid insurance premiums per instructional position for the states of Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Virginia as prepared by the Southern Regional Education Board (the Southeastern average).

Under present law, beginning with the 1995-96 fiscal year, each LEA whose instructional salaries and employer-paid insurance premiums average less than \$28,094 per instructional position, receives an allocation of state and local funds. An LEA receiving this allocation must apply such funds to establish a salary schedule that raises the compensation package to \$28,094.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - Exceeds \$100,000,000

Increase Local Govt. Expenditures* - Exceeds \$25,000,000

<i>Average</i> actual instructional salary, 1999-00	\$37,790
<i>Est. Simple average</i> SREB teacher salary, 1999-00	\$38,046
Average employer-paid insurance 1999-00	\$1,841
Instructional personnel, 1999-00	\$61,908

This estimate is based on the following:

- The new BEP salary target level would replace the old state salary schedule, so that all districts would be required to have an *average* statewide instructional salary of \$39,887 (which is the greater of the two average salaries including insurance).

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- The average statewide instructional salary was determined by deriving an average instructional salary for each LEA. If an LEA's average salary was more than \$39,887 no additional funding was required. However, if an LEA's average salary was less than \$39,887, additional funding was required to bring the system's salary up to the average. An increase in state expenditures (state share) of an amount exceeding \$100,000,000 would be required to bring these LEAs up to the statewide average.
- Because of the state-local sharing arrangement embedded in the BEP, this increased salary level generates a required expenditure for salaries on LEAs exceeding \$25,000,000.
- The increase in state expenditures would be an increase in LEAs revenues with all funds appropriated under this bill being used for instructional salary increases only.
- The actual average statewide instructional salary includes career ladder and extended contracts.
- The current actual employer-paid insurance premiums in the BEP are used for the Southeastern calculation as well since data at SREB does not exist for employer-paid insurance premiums.
- The aggregate simple average means the average of the 9 states' average salaries.
- Instructional personnel includes those positions generated through the BEP as well as those paid for by local governments outside the BEP.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director